

**Minutes of the
Cash Management Advisory Board
April 26, 2017
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Lawrence Wilson, Assistant Treasurer, Cash Management
Michael Terry, Principal Investment Officer, STIF
Paul Coudert, Investment Officer, STIF
Peter Gajowiak, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:17 a.m.

The minutes of the January 30, 2017 meeting were approved unanimously.

Mr. Terry stated that STIF assets have grown to a record high of more than \$7 billion with another \$500 million in the Extended Investment Portfolio. According to Mr. Wilson, the growth in assets is attributable to both tax revenues and bond proceeds flowing into the fund.

Mr. Terry stated that the market is in the midst of an interest rate hike cycle with the Fed guiding that there will be three or four interest rate hikes this year. The market, according to Mr. Terry, is implying one more hike this year. Mr. Terry added that STIF has been using two interest rate hikes as a baseline assumption for investing purposes. Further, Mr. Terry stated that one of the added benefits of having corporate credits in the portfolio is that maturities can be short, pay a nice yield, and be reinvested at higher rates.

Mr. Terry stated the Fed is talking about stabilizing its balance sheet by not reinvesting cash from its \$3 trillion mortgage portfolio which could have a significant impact on both mortgage issuances and as swap rates. According to Mr. Terry, the impact of the Fed's actions should mean higher short term rates by the end of this year.

Mr. Desautelle asked where current rates stood. Mr. Coudert stated that overnight rates ranged from 75 to 91 basis points in investments such as repo, agency discount notes and bank deposits.

Mr. Coudert gave an overview of STIF's portfolio characteristics and performance. Mr. Coudert stated that for the period ending March 31, 2017, STIF earned an average

annualized yield of 67 basis points versus 60 basis points for the iMoneyNet benchmark. For the one year period ending March 31, 2017, STIF earned 49 basis points versus 36 basis points for the benchmark. According to Mr. Coudert, STIF's current yield is 81 basis points with an average life of 30 days. Mr. Coudert added that STIF contributed to the reserve for all but four days since the January meeting, and reserves now total \$53.6 million with nearly \$3.6 million having been added since the beginning of the fiscal year. Daily liquidity is approximately \$3.0 billion or 43% of the fund, and more than 40 percent of the portfolio is invested in securities with some sort of government support such as government backed repurchase agreements, agency securities, FDIC insured deposits, Federal Home Loan Bank letters of credit, and government money funds.

Mr. Desautelle asked if there was any increase in municipal fund balances. Mr. Wilson stated municipal assets fluctuate throughout the year but are in line with historical balances and are tracking upwards as the portfolio continues to increase in size.

Mr. Thompson asked about the pick-up in yield between corporate and agency paper. Mr. Coudert replied that on an overnight basis it is anywhere from 7 to 10 basis points and widens out with longer maturities. For example, according to Mr. Coudert, there was January 2018 agency paper offered at 1.02% but we bought October 2017 Toyota paper at 1.22% for a 20 basis point pick-up and three months shorter maturity.

Mr. Terry and Mr. Gagnon discussed bank interest rates and how they negotiate different rates with each bank.

Mr. Coudert discussed that the Extended Investment Portfolio which has assets of \$496 million earning 88 basis points and an average life of six days.

Mr. Wilson stated the annual conference in March had record attendance.

With no further business, Mr. Wilson adjourned the meeting at 10:37 a.m.